

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L QUITO 0276

E.O. 11652: GDS
TAGS: BDIS ENRY EC
SUBJECT: MEETING WITH NORTHWEST PRESIDENT ON ADA EXPROPRIATION
CASE

REFS: A) STATE 005796; B) 75 STATE 296901; C) QUITO 0275

1. IN LIGHT OF INFORMATION REPORTED IN REFTEL C, WE ARE CAUTIOUSLY OPTIMISTIC THAT A SETTLEMENT BETWEEN NORTHWEST AND ADA, WITH OR WITHOUT THE INVOLVEMENT OF OKC, MAY NOT BE NECESSARY. HOWEVER, WE STILL BELIEVE THAT THE POSSIBILITY OF A SETTLEMENT BETWEEN ADA AND NORTHWEST SHOULD BE FULLY EXPLORED AS A FALL-BACK. FOLLOWING ARE POINTS WE BELIEVE DEPT SHOULD KEEP IN MIND DURING UPCOMING MEETING WITH NORTHWEST PRESIDENT MCMILLIAN.

2. NORTHWEST'S LOCAL IMAGE IS DETERIORATING RAPIDLY. LOCAL PRESS HAS STEPPED UP ITS EDITORIAL ATTACKS ON NORTHWEST DURING THE PAST FEW WEEKS, AND IN RESPONSE TO JOURNALISTS' QUERIES MINISTER VARGAS PUBLICLY ASSERTED LAST WEEK THAT THE GOE MIGHT BE FORCED TO TAKE STEPS TO ASSURE NORTHWEST'S COMPLIANCE WITH ITS CONTRACT. (VARGAS DID ADMIT THAT NORTHWEST'S DELAYS WERE DUE TO ADA'S SUIT AGAINST NORTHWEST, WHICH HAD MADE IT DIFFICULT FOR NORTHWEST TO OBTAIN FINANCING.

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3. YURI ARKUS DUNTOV, A NORTHWEST CONSULTANT WHOSE TSREPUTATION HERE IS CONTROVERSIAL, TOLD EMBOFF ON JAN 6 THAT MCMILLIAN HAD ORDERED HIM TO SEARCH OUT SOME METHOD TO "INSULATE" THE PROJECT FROM THE UNITED STATES. FOR THIS PURPOSE, SAID DUNTOV, HE HAD RECENTLY BROUGHT REPRESENTATIVES FROM THE NORWEGIAN FIRM NORSK TO ECUADOR TO

ASCERTAIN NORISK'S INTEREST IN A PARTNERSHIP TO DEVELOP THE GULF OF GUAYAQUIL. (HE EMPHASIZED TO EMBOFF THAT SUCH A PARTNERSHIP WAS STILL VERY TENTATIVE.) DUNTOV SAID QUITE FRANKLY THAT INVOLVEMENT OF WORLDWIDE MARKETING FIRM SUCH AS NORISK WOULD MAKE IT VERY DIFFICULT FOR ADA TO ATTACH ANY GULF OF GUAYAQUIL PRODUCTION IN UNITED STATES' COURTS.

4. WE ARE SKEPTICAL ABOUT NORTHWEST'S PRELIMINARY COMMITMENT FROM A GROUP OF EUROPEAN BANKS. THIS IS NOT THE FIRST "PRELIMINARY COMMITMENT" THAT NORTHWEST HAS CLAIMED, AND CANVASSING OF POSSIBLE PARTNERS WOULD SEEM TO INDICATE THAT FINANCING MAY STILL BE A PROBLEM. THEREFORE, DEPT MIGHT AGAIN WISH TO MENTION THE POSSIBILITY OF OPIC FINANCING IN THE EVENT OF A SETTLEMENT OF THE ADA CASE, OR TO DISCUSS WITH MULTILATERAL INSTITUTIONS A PROPOSAL FOR EARMARKING NORTHWEST'S REVENUES FROM THE PROJECT TO REIMBURSE ADA.

5. WE WOULD BE INTERESTED IN KNOWING ABOUT POSSIBLE INVOLVEMENT OF OKC IN THE GULF OF GUAYAQUIL PROJECT. (DUNTOV SAID THAT OKC HAD NOT MET WITH NORTHWEST FOR SEVERAL MONTHS.)

6. DUNTOV ALSO TOLD EMBOFF--UNDOUBTEDLY TO BE RELAYED BACK TO WASHINGTON--THAT MCMILLIAN WAS ANNOYED BY HIS CONVERSATION WITH DEPT OFFICERS SINCE HE HAD BEEN LED TO BELIEVE THAT THE USG ACTIVELY SUPPORTED NORTHWEST'S DEVELOPMENT OF THE GULF OF GUAYAQUIL.

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7. DEPT MAY WISH TO PURSUE POSSIBILITY OF SOME PRELIMINARY DISCUSSIONS BETWEEN NORTHWEST AND ADA ON THE VALUE OF THE INVENTORY AND WELLS, SINCE NORTHWEST'S CONTRACT ASSUMES AN OBLIGATION TO PAY ADA FOR "USEFUL INVESTMENTS" AND MCMILLIAN HIMSELF REFERRED TO THIS OBLIGATION IN CONVERSATION WITH DEPT OFFICIALS (REFTEL B). SUCH AN APPROACH, LEAVING ASIDE DISCUSSION OF A LONG-RANGE SETTLEMENT AND FOCUSING INSTEAD ON DETERMINING THE MAGNITUDE OF THE AMOUNT IN QUESTION, WOULD BE USEFUL SINCE THIS QUESTION HAS TO BE RESOLVED AT SOME POINT AND WOULD SERVE AS A USEFUL "ICE-BREAKER" TO BRING THE GOE, ADA AND NORTHWEST TOGETHER. WE ARE SURE THAT NORTHWEST WOULD STILL BE LIABLE FOR THESE INVESTMENTS EVEN IF THE GOE SHOULD SETTLE DIRECTLY WITH ADA.

8. WE BELIEVE IT WOULD BE UNWISE TO PASS ON TO MCMILLIAN INFO ON SEVILLA'S DESIRE TO SETTLE ADA DIRECTLY, SINCE IT MIGHT WELL REMOVE ANY INCENTIVE NORTHWEST MAY NOW HAVE TO FIND A SOLUTION TO THE ADA PROBLEM, AND IN ANY CASE SEVILLA HAS MANY DIFFICULT HURDLES TO OVERCOME.

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